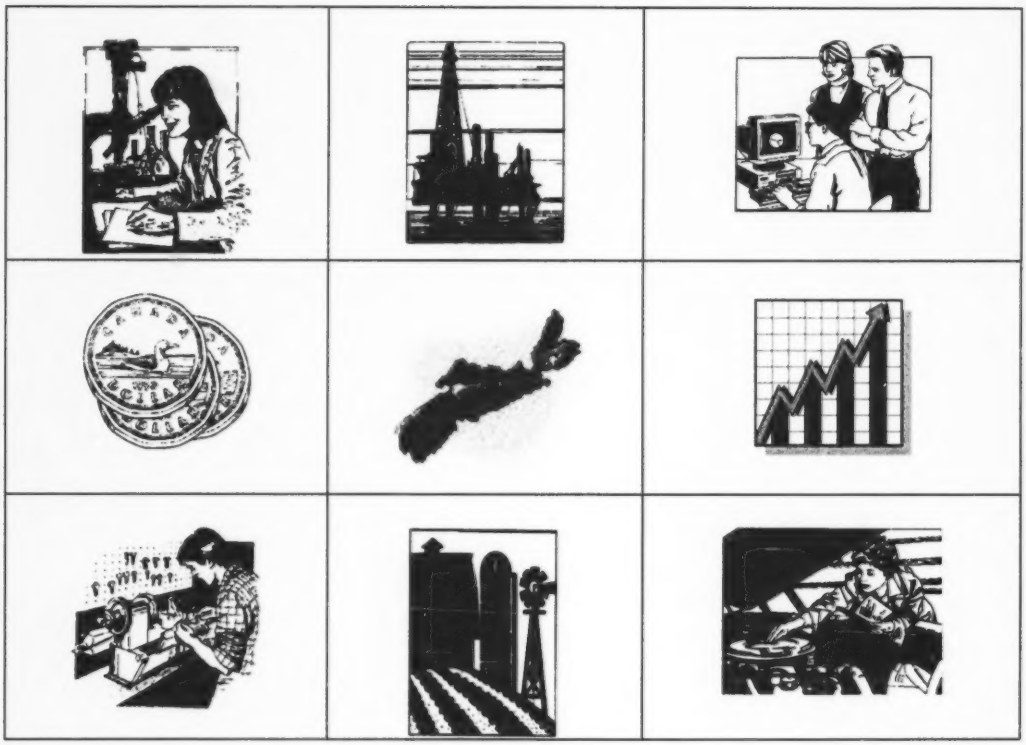
NOVA SCOTIA
Department of Finance
Statistics Division

Overview of Nova Scotia Economy 1998-2002



September 24, 2003

NOVA SCOTIA
Department of Finance
Statistics Division

Overview of Nova Scotia Economy, 1998-2002

Introduction

This paper provides a brief overview of the Nova Scotia's economy, including relative contribution of each sector to the provincial Gross Domestic Product (GDP) and employment growth, and structural changes in employment over the mid-term period.[1] During the five-year period 1998-2002, the province's economy experienced a healthy growth due to the expansion in the private sector, especially doubly-digit growth in mining, oil and gas, forestry and logging, as well as in information, culture and recreation industries, and despite the contraction in the public sector and some primary industries.

Economic Structure

Nova Scotia's economy is predominantly service-based. The province's service sector is proportionally larger than that of Canada. In 2002, 76.3% of the provincial GDP was within the service sector, compared to 69.1% for Canada. The goods producing sector accounted for 23.7% of Nova Scotia's economy in 2002, compared to 30.9% for Canada in the same year. This represents Nova Scotia's long established position as the principal financial and commercial service centre for Atlantic Canada and the centre for regional public administration and defence. The service sector includes a wide range of business and personal services, health and educational services, public administration, defence and other federal departments. The goods producing sector includes manufacturing, construction, primary industries, and utilities.

From 1998 to 2002 the provincial economy expanded by 14.7%. While the GDP in the goods producing sector grew by 17.2%, the GDP in the service sector grew by only 14.0% between 1998 and 2002, mainly as a result of the contraction in the public sector from 25.6% to 23.3% of the provincial economy (table 1).

Over the five-year period 1998-2002, Nova Scotia's real GDP grew at a compound annual growth rate of 3.5%. The growth in the goods producing sector was above the annual growth rate of the Nova Scotia's economy and more rapid than in the service sector, at 4.0% compared to 3.3%. However, within the service sector, the private sector compound annual growth was 4.4 times faster than the public sector growth. As a result, the service sector share of provincial economy, expressed by the share of provincial

[1] Five-year period is considered to be a mid-term period. Since the latest annual statistics is available for 2002 the 5-year period chosen for analysis is 1998-2002.

Table 1. Compound annual rate of growth in GDP and shares of provincial GDP by industry, Nova Scotia, 1998- 2002.

Industry	Compound Annual Rate of Growth, 1998-2002 [%]	Share of Provincial GDP	
		1998 [%]	2002 [%]
Total	**3.5**	**100.0**	**100.0**
Goods Producing Sector	**4.0**	**23.2**	**23.7**
Agriculture	0.7	1.0	0.9
Fishing, hunting & trapping	5.7	1.3	1.5
Forestry, logging & support	21.1	0.4	0.7
Mining & oil and gas	13.0	1.9	2.7
Manufacturing	3.9	10.3	10.4
Construction	(0.4)	5.8	4.9
Utilities	3.9	2.5	2.6
Services Producing Sector	**3.3**	**76.8**	**76.3**
Private Sector	**4.4**	**51.2**	**53.0**
Trade	5.0	11.1	11.7
Transportation & warehousing	2.5	4.4	4.2
Finance, insurance, real estate & leasing (FIRE)	3.0	21.6	21.2
Professional, scientific & technical services,	5.8	3.0	3.3
Information & cultural services	11.2	3.9	5.2
Arts, entertainment, recreation	4.2	0.7	0.7
Accommodation & food services	3.3	2.8	2.8
Administrative & support, waste management	9.4	1.4	1.7
Other services	2.6	2.3	2.2
Public sector	**1.0**	**25.6**	**23.3**
Public administration	1.0	11.3	10.3
Health & social services	2.0	8.0	7.6
Educational services	(0.5)	6.3	5.4

Source: Statistics Canada, Provincial Gross Domestic Products by Industry in $1997, Catalogue No 15-203-XIB.

GDP[2] declined from 76.8% in 1998 to 76.3% in 2002, while the goods producing sector share increased from 23.2% to 23.7%.

The leading fast growing sectors in the province were forestry and logging, mining, oil and gas, and information and cultural services, which grew at compound annual rates of GDP growth 21.1%, 13.0% and 11.2%, respectively between 1998 and 2002. The provincial share of GDP for the mining, oil and gas industry increased from 1.9% in 1998 to 2.7% in 2002, while for information and cultural services from 3.9% in 1998 to 5.2% in 2002. Since the forestry and logging sector accounts for only a small percentage of the Nova Scotia economy, the compound annual growth in GDP of 21.1% resulted in a relatively small increase in the provincial share of GDP for this sector from 0.4% in 1998 to 0.7% in 2002.

The growth in administrative and support services, professional, scientific and technical services, fishing and trade also exceeded the compound annual growth rate for overall Nova Scotia's economy for 1998-2002, by growing at the compound annual rates of 9.4%, 5.8%, 5.7% and 5.0%, respectively. The growth in the remaining industries was below 3.5% for 1998-2002.

By contrast, educational services and construction experienced decline due to the budgetary expenditure restraints, as shown by the negative compound annual growth of -0.5% and -0.4%, respectively for 1998-2002. As a result, the provincial share of GDP for educational services decreased from 6.3% in 1998 to 5.4% in 2002. The provincial share of GDP for construction decreased from 5.8% in 1998 to 4.9% in 2002.

The most significant decline in the provincial share of GDP was observed in the public administration, which declined from 11.3% of provincial GDP in 1998 to 10.3% in 2002. Over the five-year period the public sector experienced 2.3 percentage points decrease in the share of provincial GDP from 25.6% in 1998 to 23.3% in 2002.

The decline was also observed in the health and social services and FIRE[3] sector, which experienced a decline in shares of provincial GDP for the same period from 8.0% and 21.6% in 1998 to 7.6% and 21.2% in 2002, respectively.

[2] In 1997 dollars.

[3] Finance, insurance, real estate and leasing.

Employment

Over the five-year period 1998-2002, total employment gain in Nova Scotia was 7.4% or 29,500 new jobs in the province. The economic diversification of the province is reflected in where Nova Scotians are employed among the economy's industrial sectors. Distribution of employment between the goods and services producing sectors remained virtually unchanged with 22.0% of jobs in goods producing sector, down by 0.1 percentage points from 1998 and 78.0% of jobs in the service sector in 2002, up by 0.1 percentage points from 1998 (table 2).

From 1998 to 2002, the compound annual growth in total employment in Nova Scotia was 1.8%, with a slightly higher growth in the service sector than in the goods producing sector, at 1.8% and 1.7%, respectively. Since the service sector is significantly larger than the goods producing sector, the major employment gains, approximately 23,400 or 79.3% of new jobs, were in services, including 23,200 new jobs in the private sector and only 200 new jobs in the public sector[4].

However, the structural change was observed in the service sector where the compound annual growth in employment in the private sector was much faster than in the public sector, at 2.8% and 0.1%, respectively for 1998-2002. As a result of this structural change, the share of the public sector employment decreased from 26.9% of total provincial employment in 1998 to 25.1% in 2002, while the share of the private sector employment increased from 51.0% in 1998 to 52.9% in 2002.

The double-digit growth in employment was observed in the management and administrative services, mainly due to the proliferation of new call centers in the province, and in utilities. The compound annual growth rates in those industries were 15.5% and 10.7%, respectively for 1998-2002. The shares of total provincial employment in management and administrative services increased from 3.0% in 1998 to 5.0% in 2002. Since the utilities sector's employment accounts for a small percentage of the total provincial employment, the compound annual growth in employment of 10.7% resulted in a relatively small increase in the provincial share of employment for this sector from 0.5% in 1998 to 0.6% in 2002.

[4] The loss of 6,500 jobs in public administration was offset by 3,900 new jobs created in educational services and 2,900 new jobs in health care and social services between 1998 and 2002.

Table 2. Compound annual growth in employment by industry and shares of total provincial employment by industry, Nova Scotia, 1998-2002.

Industry	Compound Annual Rate of Growth, 1998-2002 [%]	Share of Total Employment	
		1998 [%]	2002 [%]
Total	**1.8**	**100.0**	**100.0**
Goods Producing Sector	**1.7**	**22.1**	**22.0**
Agriculture	(0.4)	1.7	1.6
Fishing, hunting & trapping	(3.8)	1.7	1.4
Forestry & logging & support	(1.2)	1.0	0.9
Mining & oil and gas	(7.3)	1.3	0.9
Manufacturing	2.2	10.5	10.7
Construction	4.4	5.3	5.9
Utilities	10.7	0.5	0.6
Services Producing Sector	**1.8**	**77.9**	**78.0**
Private Sector	**2.8**	**51.0**	**52.9**
Trade	2.7	17.2	17.9
Transportation & warehousing	1.7	4.7	4.7
Finance, insurance, real estate & leasing (FIRE)	(2.5)	6.0	5.0
Professional, scientific & technical	2.4	4.2	4.3
Management & administrative	15.5	3.0	5.0
Information, culture & recreation	3.3	3.9	4.1
Accommodation & food services	3.7	6.6	7.1
Other services	(1.1)	5.4	4.8
Public Sector	**0.1**	**26.9**	**25.1**
Public Administration	(6.0)	7.4	5.4
Health & social services	1.4	12.2	12.0
Educational services	3.2	7.3	7.7

Source: Statistics Canada, Labour Force Historical Review 2002, CD-ROM No. 71F0004-XCB.

Higher than the average compound annual growth rate in total provincial employment was observed in construction, accommodation and food services, information, culture and recreation, educational services, trade, professional, scientific and technical services and manufacturing, which grew at the compounded annual growth rates of 4.4%, 3.7%, 3.3%, 3.2%, 2.7%, 2.4% and 2.2%, respectively between 1998 and 2002.

By contrast, mining, oil and gas industry and public administration experienced significant decline in employment in 1998-2002, as shown by the negative compound annual rate of growth of -7.3% and -6.0%, respectively.

The employment losses, which occurred in the mining, oil and gas extraction industry accounted for 1,300 jobs lost in 1998-2002. Decline in employment in this category was mainly attributed to the collapse of the coal mining industry, partially offset by employment growth in the oil and gas sector, which provided a sizable boost to the provincial economy (see table 1 – the compound annual growth in GDP of 13.0% despite declining employment). The share of total provincial employment in this industry dropped from 1.3% in 1998 to 0.9% in 2002.

The most significant decline in employment was observed in the public administration, where approximately 6,500 jobs were lost between 1998 and 2002. The share of total provincial employment in this category dropped from 7.4% in 1998 to 5.4% in 2002. However, the loss of 6,500 jobs in the public administration was offset by 3,900 new jobs created in educational services and 2,900 new jobs in health care and social services between 1998 and 2002. Therefore, overall public sector employment growth was insignificant with only 200 new jobs created over the five-year period.

Employment decline was also observed in some primary industries including fishing and hunting, forestry and logging, and agriculture, which showed the negative compound annual growth rates of -3.8%, -1.2% and -0.4%, respectively, for 1998-2002.

The FIRE sector and other services also experienced negative growth in employment at the compound annual rate of -2.5% and -1.1%, respectively for 1998-2002. The employment decline in the FIRE sector accounted for 2,300 jobs lost in this time period. The share of total employment in this industry decreased from 6.0% of total provincial employment in 1998 to 5.0% in 2002. Job losses in the other services category accounted for 900 jobs lost between 1998 and 2002. The share of total employment in this industry declined from 5.4% in 1998 to 4.8% in 2002.

From 1998 to 2002, the employment in fishing, hunting and trapping, forestry and logging and agriculture declined by 1,000, 200 and 100 jobs, respectively. The provincial share of total employment in those categories dropped by 0.3, 0.1 and 0.1 percentage points, respectively, for 1998-2002.

While in the goods producing sector, all primary industries experienced some job losses in 1998-2002, the employment growth in secondary industries: manufacturing, construction and utilities was higher than the average with the compound annual growth rates of 2.2%, 4.4% and 10.7%, respectively.

Interestingly, the employment growth in the information, culture and recreation industry was relatively moderate, at 3.3%, compared to the GDP growth for this sector at 11.2% in 1998-2002. Despite creating only 2,100 new jobs, this sector experienced the second fastest double-digit growth in GDP between 1998-2002, which is primarily due to the impact of telecommunication industry on GDP growth.